CHAPTER - 2
ECONOMIC HISTORY OF WESTERN MAHARASHTRA
[SINCE THE 17TH CENTURY TO THE FIRST HALF OF THE 20TH CENTURY]

2.0 Introduction:

The present chapter deals with the economic history of Western Maharashtra during the 17th, 18th and 19th century. It also gives in brief the description of industrial development in the first half of the 20th century, till Independence in 1947. The chapter provides a base on which the theory of entrepreneurial development and growth of firms can be analyzed. Before discussing the planned subject of the chapter, it would be proper to elaborate economic history as a branch of study.

2.1 Importance of Economic History of Regions:

Economic history is a branch of study that focuses mainly on the economic life of the people in the chosen area and in the chosen period. The term ‘history’ originates from the word, ‘histor’ i.e. to know, or enquiry and learning by enquiry, or knowledge gained by a process of enquiry. Chamber’s 20th century dictionary defines history as ‘an account of an event, a systematic account of origin and progress of a nation.’ E. H. Carr, a well known historian was of the opinion that to treat history of English speaking world in the last 400 years as the center piece of universal history and everything else peripheral to it, is an unhappy distortion of perspective as there could be no generalizations in economic history due to non-uniformity in economic development of different places, hence he suggested to make available modern economic history of Asian, African, Latin American country in spite of its limitations. [1]
This shows the significance of a study in economic history of any region worth at par with the world history. Theoretically the study has three aspects-1] theory at base, 2] quantification or data and statistics and 3] history of evolution of the subject which is important to understand present conditions. The present chapter is devoted to analyze the economic history of Western Maharashtra as to further study the theory of entrepreneurship on its base along with the data collection and information of various firms that were established in the chosen period of British rule, to find out a correlation between the two factors- economic history and entrepreneurial growth, either positive or negative.

2.1.1 Evolution of Economic History and Business History:

It has been discovered that the first journal of Social and Economic History, Hansiche Geschichtsblatter was published in Germany in 1871. Over the period what was once a virtually virgin land has become a very productive field on the academic map. Before economists entered it, the field of economic history was dominated largely by the historians with no or little training in handling the tools and techniques of economics. Hence, it was observed that the early works on economic history were mere chronological or thematic collections of information.

Business history or entrepreneurial history is regarded as one of the important branches of economic history. The branch being directly linked with the present study, it would be proper to discuss about its nature in the beginning.

Basically, business history is of American origin. Though, the first systematic study in business history was found in Germany way back in 1825 with the centennial volume of Lauchhomem Iron Works in Saxony [Germany]. Another standard book in the subject was Simmons Brothers by Richard Ehrenbaerg of University of Rostock [Germany] in 1900.
Japan also paid an attention to collect business history of the country. The study of business history may inspire the potential entrepreneurs to take up a new venture and thus helps to industrial and economic growth. [ 2]

On the above backdrop, the subject matter of the present chapter – economic history of Western Maharashtra has been discussed as below.

2.2 Economic History of Western Maharashtra:

2.2.1 Nature and Problems:

A] Nature: - Economic history of India is a field of study less than 100 years old. India, being an ancient economy, obviously, the long past of the country is full with economic ups and downs, frequent wars, attacks by the intruders, foreign rule and so on. Ravindranath Tagore, noted Nobel laureate of India had ridiculed Indian history as ‘foreigner’s history’, According to Amartya Sen, the Nobel Laureate of India, this comment seems to hold half- truth. He adds, that though, India’s long past was a story of internal and external instabilities, but also, history of India does contain conversations and discussions, extensive joint efforts in literature, music, painting, architecture, jurisprudence etc. creative activities.

The writings of economic history of India are generally classified into three major categories. 1] The first viewpoint of economic historians is the nationalists and Orientalists, who always try to glorify the features of Indian economy in the past and blame the colonial rule for deteriorating the economy of India. Their argument is known as the ‘de-colonization debate’ in the field of colonial history. 2] The second viewpoint seems to be of opposite nature where the writers look at the positive side of British rule and give it every credit for the development of India. According to these writers, it was beyond the capacity of Indian economy to develop the trade and modern industrial sector on her own, in the absence of the colonial rule.
Obviously, both these views are rather extreme and hence, there is a need to have a third and balanced view in writing economic history which stands neutral between both the extremes and analyzes both - the positive and negative factors of British rule on India in an objective way. [3]

It could be said that the present study focuses on one of the important positive events in economic history of Western Maharashtra, i.e. entrepreneurial development occurred in the period of British rule.

B] Problems:

Besides posing problems in the study due to a dearth of recorded documentation of the country, the heterogeneous nature of the lifestyle of the country which are known as the ‘Asian Values’ make the study more difficult in generalizations and analysis. It would not be improper to quote Mrs. Joan Robinson here, `whatever you can rightly say about India, the opposite is also true.’ – the statement she gave to explain the ‘dizzying contrasts in the country. [4]

In spite of all these problems, history has been a favourite and popular branch of study in the country as it may find it challenging for the scholars to study the past to correlate with the present.

2.2.2 Sources of Studying Economic History of Western Maharashtra:

It has been agreed upon that Maharashtra is comparatively fortunate to retain much of its historical resources and literature as compared to the other parts of the country. The documents on economic history of Western Maharashtra could be classified in many groups.

Sources:- I] The records of more than 30 foreign travelers of various occupations such as traders, lawyers, priests, soldiers, sailors etc. from Europe who visited India in the 17th century are available. However, most of the travelers were attracted to the rich land of Mughals in the north or the southern part of Goa and a few only seemed to have visited the region
of Western Maharashtra. The reason could be found in the hilly land of Maharashtra and poverty of the people in contrast to the rich north area. The major comparative sources of writings by the travelers like Dr. John Frier, Thevano, Abbe Caray, Tavernier, Delont etc. could be helpful.

B] There are a few other sources such as ‘The English Factories in India’ and ‘English Records on Shivaji’, published by Bharat Itihas Sanshodhak Mandal, Pune.

C] A socio-economic picture of medieval Deccan [Western Maharashtra] could be also found from the documents of Maratha kings and their royals. These are mainly the letters by the kings to their subordinates, ‘bakhars’ [historical records maintained in a story form] ballads, folk literature etc.

D] In writing economic history of Western Maharashtra, the pioneering and path-breaking studies were carried on by Dr. D.R. Gadgil and his associates at the Gokhale Institute of Politics and Economics, Pune in 1939. Gadgil’s work is a landmark and is found to be systematic. [5]

Limitations- The major limitations of the Portuguese, Dutch, French or Farsee sources is the problem of knowledge of the languages. Moreover, the instability due to political factors and famines and severe droughts might have reduced the number of available sources.

2.2.3 Economic History of the Pre-British Rule:

A] Pre-British Political Scene:

India from the ancient period has been a prey for the foreign attacks and rules. Such as attacks by the Greek king Alexander, Mohammad Ghori, the Mughals, the Portuguese, the French, the Dutch and finally the British. However, the relation between the British rulers and the economy of India seemed to be different than the earlier conquerors. For example, Alexander and Nadirshah attacked India in a war only to leave it with a huge collection of wealth and money from it.
Mughals migrated from Afghanistan to rule and stayed permanently in India. But, British came to India for trade and gradually acquired political power over the economy. They stayed in India for almost 350 years [1600-1947] and they did not conquer any part in the country through war unless it was compulsive for them to develop their trade activities. The relation can be stated as ‘one strong economic power struggling with the other weak economic power.’

Before British traders, the Portuguese came to India in the end of 15\textsuperscript{th} century on the west coast of India. [Goa] and before them, Arabs handled the main international trade with India. Portuguese traders competed with the Arabs and settled down in western coast. They along with trade, converted the native Hindus to Christianity with the threat of arms. Their main settlements were in Goa, Diu, Daman, Vasai [near Bombay] and the island of Bombay. The economic power of the Portuguese met a falling trend after mid 17\textsuperscript{th} century. The Dutch, French mainly concentrated their trade practices in the eastern region of the country.

Eventually, other Europeans lost their economic power and the British almost entirely created their monopoly in trading in the country as Britain became the most advanced nation of those times due to progress in trade and industry. It could be guessed correctly from the above information that had it not been Britain, it could have been anyone of the Europeans who could have acquired colonial power in the country. [6]

B] Pre-British Economic Scene:

From the resources available it could be seen that the rural standard of living was lower than urban standard of living. The traditional system of Balutedari prevailed almost all over the area which assured a minimal subsistence to the balutedars. On the contrary, the Zamindars [Deshmukhs and Deshpandes] and Inamdars were enjoying a luxury life
and were regarded as rural aristocrats. The needs of the people were limited and the village economy was almost closed from the outside world. They were considered as little republics and were nearly independent of any foreign relations as there was little scope for exchange.

Karl Marx called the close and independent system of Indian economy as ‘Asiatic Mode of Production.’ Charles Metcalfe, another historian wondered on the intact nature of the village economy in spite of many external attacks. Max Weber, in his General Economic History [1924] called the *balutedari* system as ‘demiurgic mode of employment’ and the caste system as ‘magical traditionalism’ which according to him were mainly responsible for the stable socio-economic life in the villages. [7]

2.3 Economic History of Western Maharashtra in the 17th Century:

2.3.1 Background of Closed Village Economy-

As stated above, the old system of village economy based on self-sufficiency and self-government continued even after the entry of the British traders and The East India Company. Famines i.e. shortage of food occurred frequently in the 17th century and due to absence of welfare state and economic backwardness, the standard of living of the common people deteriorated to the minimum level.

However, there are some opponents to the concept of self-sufficient village economy of the medieval India who feel that the concept was a product of the theoretical and conceptual analysis emerged out of the imperialistic viewpoint of some scholars. The present study neglects this controversy and assumes the traditional concept of the self-sufficient village economy. [8]
2.3.2 Political Scene in Western Maharashtra:

Geographical difference: It should be noted that the geographical area of Maharashtra of pre-Independence period and at present is not the same. The then Bombay State consisting of south Gujarat, north Karnataka and Western Maharashtra is at present divided into three separate states. The study concentrates on the part of Western Maharashtra and does not deal with the rest of the parts of the state. [Refer to the map]

A] Rise of Maratha Power:

The 17\textsuperscript{th} century period in Western Maharashtra was mainly dominated by Shivaji’s rule who founded the rule by Marathas which lasted till the first two decades of the 19\textsuperscript{th} century. There are many controversial views about the rise of the Maratha [Shivaji’s] rule.

According to Grant Dough, the first western historian on Maharashtra, the rise of Maratha power was an accident as if a conflagration in the forest. This view underestimated the importance of the efforts made by King Shivaji to establish his rule- the Swarajya. However, Indian thinkers like Justice M. G. Ranade were of the opposite view for whom the Maratha rule was the outcome of the total efforts of Maharashtrian people and it also suggests that the credit for the socio-political revolution in the form of Maratha rule as against the Muslim rule, should not be given to a single person but the entire people of Maharashtra. [9]

B] Origin of Rise of Maratha Power -

The origin of the rise of Maratha power can be traced in the collapse of the Bahamani rule in Maharashtra in the 16\textsuperscript{th} century. The Nizams of south became the main rulers in the state although, there was no unity among the Muslim royal people of the King who were divided into the ‘dakhkhanis’ and the ‘pardesis’. As a remedy to the conflicts between his royals, the Nizam encouraged the Maratha sardars in his
court and thus, is stated the rise of the power of Maratha leaders in the politics of Maharashtra.

King Shivaji’s forefathers were at the service of the Nizam. Eventually, his father Shahaji Bhosale emerged as a dominant Maratha leader with the ‘jahagir’ of Pune, Supe and Indapur regions and the area that further founded the independent kingdom for Shivaji.

Shivaji is credited to change the political picture of Maharashtra through his undying spirit and zeal. But, it is also said that he had limited success in changing the social and economic scene of the state. Of course, it could be agreed that social life is an outcome of many centuries and it does not change much in a short period of a few decades, by single-handed efforts. [10]

**Conclusion**-

Thus, it could be concluded that in the 17th century in Western Maharashtra, though political scene was steadily changing with the rise of Maratha power, the economic life was concentrated completely around agriculture and balutedari system as before.

**2.3.3 Economic Scene in Western Maharashtra:**

In the closed and agrarian rural economy of Western Maharashtra, even the main industries were based on agriculture. Weavers, oil-crushers, carpenters, potters, tailors, washermen, painters, religious preachers, fishermen, snake charmers, shepherds, singers, masons, blacksmiths and goldsmiths were among the main occupations. It is reported that the occupation of goldsmiths was quite advanced as they specialized in making various types of ornaments during the 17th century. There was no separate mint for Maharashtra and the coins were made mainly by the gold-smith in those days. The weekly ‘hats’[bazaar] were organized and a village officer [vatandar] called ‘shet’ was in charge of administration of these. Another officer called ‘bidwai’ was recognized as
responsible for promoting local business and attracting outside traders towards the local market.

With the rise of Maratha rule in the mid-17th century, King Shivaji was reported to be keen on promoting and encouraging trade and business activities in his region. He gave concessions to traders, levied tariffs, built permanent markets on the capital forts of Raigad and Rajgad. Obviously, his trade policy deserves praise considering the economic and political situation of those times. [11]

A] Emergence of Port and Trading Centers-

In the same period, Maharashtra was slowly becoming open for the European traders and merchants. The Portuguese, Dutch, Arabs, Iranis, Danish, French, Armenians, and the British traders had established their fortifications on the west coast of Maharashtra and Gujrat. The main trading centers in the region were Chaul, Dabhol, Kalyan, Bhivandi, Vengurla, Pen, Dahanu, Tarapur, Kelve, Mahim, Agashi, Vasai, Bandre, Nogothane, Shrivardhan, Jaitapur, Rajapur, Kharepatan etc. located on the west coast of Maharashtra.

Among these, the port of Dabhol which was located at an important place, carried a large amount of trade with Bombay port. Kalyan, a populated town near Bombay also was recognized as an important place. Dr. Friar, [1675] an European traveler mentioned earlier called it as ‘the key from Bombay into that rebel’s [Shivaji] country.’ Bhivandi near Kalyan was famous for its weaving activity from the ancient period. However, along with the other weaving centers, it gradually faced a decline in its production due to the rise in imports of British machine-made cloth. It is reported that the British traders requested the weavers in Bhivandi to migrate to newly developed Bombay island to carry on their activity. But, the native weavers rejected the offer. Their stagnancy and inability to take advantage of the changing
situations could be stated among the main causes for the decline in the traditional weaving sector. [12]

**B] Importance of Konkan Region:**

From the list of main trading centers given above, it could be clearly stated that the ‘Konkan’ region was the backbone of the state of Maharashtra as the foreign trade developed along the ports. The main business of *Konkan* was salt-making because production of salt on the sea-shores of *Konkan* was comparatively cheaper and salt was exported in a large quantity. King Shivaji recognized the importance of salt trade and decided to give protection to the industry. This proves him as a pioneer in practicing protection policy in the international trade even before Friedrich List popularized it in the 19th century.

The important trading items in the internal trade were- jaggery, raw sugar, turmeric, sandal wood, copra and coconut, ghee, honey food items – wheat, moong, pulses, rice, maize, ragi, til, spices, onions, tamarind, and opium. Fruits – water melons, jack fruit, sugarcane, lemon, banana, mango, pineapple, cashew nuts, beetal nuts, milk, butter, meat etc. Other items – utensils, ropes, paper, small boats, domestic animals [bulls, cows, buffalos, goats, horses etc. ] [13]

**C] International Relations:**

As stated earlier, the region of Western Maharashtra could not attract the foreign traders and travelers may be due to the hilly land and poverty of the people and perhaps due to political instability and chaotic situations, which could be considered as an unfavorable environment for the growth of trade in the early 17th century.

However, this situation changed gradually with the rise of Maratha rule as the economic stability increased in the region. Thus, Shivaji’s rule could be taken as indirectly responsible for the growth in foreign trade and relations to show progressive signs. Hence, historians like Sir
Jadunath Sarkar, praised Shivaji, as a ‘hero’ and described him as ‘the greatest constructive genius of Medieval India and also the ‘greatest diplomat in the eastern part of the known world’.

There are evidences that King Shivaji gave careers open to talents, thus creating an open and pro-development economic environment. Thus, the role of King Shivaji not only as a political revolutionary but also as an economic reformer could be studied though in a limited extent. Many a times, historians may commit mistakes in understanding the actual role played by the Maratha leader and may mistakenly consider him as a ‘robber’, as is experienced in the case of foreign historians. [14]

D) Famines and Calamities:

The region of Western Maharashtra was cursed with frequent occurrence of famines and the year 1630-31 witnessed the first great famine of which some details are available. It is reported that 1 million people perished in the district of Ahmednagar alone. Moreover, a series of minor famines in the region were reported to recur in Deccan in 1655, 1682, and 1684. Naturally, this deteriorated the economic condition of the region and led to slavery and epidemicical plague. The rulers of those times tried to face the emergencies through imports of food grains from surplus zones, open government shops and free kitchens.

Besides, frequent wars between the Mughals and the Marathas damaged the areas of Pune, Junnar, Udgir and Ausa regions. In 1662, nearly 70-80 villages in Pune region were burned down and plundered by the Mughals due to which the people absconded to nearby mountains. Also, Rajapur, one of the most important ports of west coast was destroyed due to the frequent wars between Adilshahi, Mughals and Marathas. Chaul, another important port mentioned earlier, was long troubled by the Portuguese and was finally reduced to insignificance by the great fire of 1674. It was witnessed that the wars between the
Mughals and Marathas in the 17th and 18th centuries created anarchical situations and is believed to have caused a general economic decline all over the Deccan.

Thus, the 17th century could be labeled as the period full of the calamities, both natural and man-made led to worsening the economic conditions of the people of Western Maharashtra, the effect which lasted for a long time thereafter. According to Moreland, an European historian on Maharashtra the frequent occurrence of famines in the 17th century made the people of the state poor for at least the next generation. [15]

**Conclusion:**

The period of the 17th century in Western Maharashtra could be thus taken as the period full of political, social and economic fluctuations. With the rise of Shivaji’s rule, the region experienced for the first time some free air of change and economic openness along with the social justice and political stability. However, due to the natural calamities like famines and diseases, frequent wars and other unfavorable factors, it is difficult to say that the common subjects of the state could get any appreciable rise in their standard of life.

**2.3.4 Trade in the 17th Century:**

**Background:**

The East India Company was established in Britain in 1600 A.D. for the purpose of trading with Asia. Even before the establishment of the Company, since the beginning of the 16th century, Indian goods began to enter Europe directly via sea routes. This gave a tremendous boost to production in India, particularly to the urban crafts. From the beginning of the 17th century to the end of the 18th, India’s exports to England increased consistently.

It was a proud fact that in 1601, EIC exported 22,000 pounds worth of bullion to India to import Indian commodities into Europe. At
the end of 16\textsuperscript{th} century, bullion export was 800,000 pounds annually. The huge profits earned by the Company were such that it has been reported that in 1676, every proprietor received as bonus a quantity of stock equal to that which he held. However, this trend was reversed when EIC captured political power in 1757 with the battle of Plassey. As the ruler, the new policy of the Company became to get maximum goods for minimum payments to India. [16]

It has been reported that the growing overseas trade of Indian traders led to a huge capital accumulation which made them lenders to the European trading companies in spite of various restrictions, fines, imposts and exactions imposed on them. Apart from a huge trade with the European countries, Indo-China trade relations were important in the history. Not only the silk trade between India and China was responsible for creating the famous ‘silk-route’ between both the countries, but also was held responsible for the spread of Buddhism in China from India. [17]

Though, there is no systematic data available about the pattern of trade between India and Europe and also between Europe and Western Maharashtra in the 17\textsuperscript{th} century, a general picture can be drawn in the following table.

**Table 2.1**

**Trends in the Trade between India and Europe in the 17\textsuperscript{th} Century**

<table>
<thead>
<tr>
<th>Year</th>
<th>Goods</th>
<th>Trade [worth pounds]*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1618-19</td>
<td>Calico exports</td>
<td>13,000</td>
</tr>
<tr>
<td>1629</td>
<td>Calico exports</td>
<td>2,00,000</td>
</tr>
<tr>
<td>1677-80</td>
<td>Calico exports</td>
<td>1,50,000</td>
</tr>
<tr>
<td>1680-83</td>
<td>Cotton and silk goods</td>
<td>20,00,000</td>
</tr>
</tbody>
</table>
The table clearly shows the tremendous growth in exports of textiles by India during a few decades of the 17th century. In fact, the period is said to have witnessed the ‘trade revolution’, i.e. extreme and sudden rise in foreign trade of the country.

2.3.5 Industrial Scene in the 17th Century:

Though, the modern industrial development was far ahead, if considered the period of the 17th century, it would not be wrong to trace the nature and background of the industrial sector in India. Obviously, its main industries in those times were directly or indirectly based to agriculture.

A] History:

Though, the village economy was closed, it required some urban products such as paper for accountancy, metal pots etc. Also, there was a great demand for urban crafts and products for exports. Obviously, various industries could have been developed in cities and towns in the Deccan during the late medieval period. The most important of the urban industries were cotton and silk weaving. Throughout the 17th century Aurangabad, for instance, was famous for white and printed cloth, which was exported in quantities by Persian and Armenian merchants to Persia, Arabia and Turkey. In the second half of the 17th century papermaking was undertaken in towns like Junnar. [near Pune] It is reported that the Mughal governor at Junnar had learned several handicrafts from Europeans and tried to promote them, though details are not known.

Unlike the rural industries urban industries were not based on the rigid caste system. Though, not all urban industries in the region were organized on the basis of ‘guild’ as was in Ahmedabad in Gujarat, it can
be said however, that not all urban artisans were independent producers. The weaving industry comprised by poor weavers was dominated by European merchants, who financed the weavers in advance and could dictate the nature and quantity of the goods produced.

**B] British Warehouses in Bombay:**

The entry of British traders on the island of Bombay in the 17th century and their warehouses of cloth and other consumer goods could be traced as the distant origin of the modern factory system, which emerged only in the second half of the 19th century in Bombay. However, the link between the 17th century warehousing system of trade and the modern factory system seems to be weak. The application of scientific inventions, the technological innovations, and industrial capital all required for the modern industries were absent in the 17th century. [18]

**C] Shahi Karkhanas:**

Before the rise of modern industries in Western Maharashtra, a historical system of large scale production and storage of arms, ammunition, robes, furniture, ornaments etc. supported by the Kings, especially the Moguls in the form of ‘shahi karkhanas’ at the Capital place, was prevalent. Also, the kings initiated big construction of monuments, tombs and palaces etc. which are still regarded as the heritage buildings of the past.

However, these works were mainly for the use of the nobles and were not meant for commodity production for the masses, hence, the origin of modern industries could not be found in these as these did not represent the level of industrial development of the region. At the most, it could be said that they indicated the technical skills and organizational sophistication of the period. Also, it could be guessed that the ‘karkhanas’ would not have moved on the lines of modern
industrialization on their own, had they not been gradually terminated by the British rule. [19]

Thus, it could be concluded that though the trade and manufacturing activity was widespread in the region at the time of British entry in the 17th century, but neither it was carried on modern lines, nor one can trace back its direct links with the modern industries started in the second half of the 19th century.

2.4 Was India Purely an Agricultural Country?

After discussing the economic history with a stress on trade and industrial sector of Western Maharashtra in the 17th century, a counter argument against the popular understanding about the nature of medieval India being an agricultural country needs to be tested.

The above discussion suggests that the pre-British India was not only the richest agricultural country in the world but also a powerful and developed industrial and commercial center for internal and foreign activities as well, though in a traditional way. The power and the profits of trade with India were so big that it was a popular belief to regard trade with India as trade with the world.

A] India as an Industrially Developed Nation:

As is stated earlier, India was famous internationally for her products like cotton and silk cloth, linen, jewellery and precious stones, pottery, porcelains, ceramics, fine works in metal – iron, steel, silver and gold. She had also acquired the reputation in ship building and engineering works. Moreover, she had great financiers. [20]

B] Testing the Argument:

On this background, the question about the agrarian nature of the country could be raised and the most accepted belief of India being an agricultural country can be challenged.
However, as is mentioned above, Indian industries remained in the pre-capitalist stage and India could not evolve the industrial middle class like that of European type due to rigid caste system and lack of capital, economic inequalities etc. It would not be wrong to apply the same logic for Western Maharashtra. Still, historians like Moreland admitted that India was more advanced relatively to Western Europe. [21]

After studying both the sides of the argument a conclusion could be drawn that the statement of India being an agrarian country holds truth, though her trade and industries in the 17th century were not much backward, considering those times.

2.5 Low Economic Progress in Western Maharashtra in the 17th Century:

If looked from the overall angle at the economic history of Western Maharashtra in the 17th century, a remarkable feature of low economic progress shows its clear presence in the chosen period. Hence, it would be appropriate to analyze the causes for it.

A] Small Business Activities:

Most surprisingly, it was observed that in spite of large trade activities in the region, Marathi businessmen remained rather modest in participating in these. The records of Pune Archives state that none of them advanced more than 5 lakh rupees to the government at a time and many a time, the loans were even less than Rs. 1000, repayment of which could be possible only after aggressive pursuits by the lenders. Obviously, this would have led to increase exploitation and mass poverty.

B] Unfavourable Atmosphere:

There could be found reasons for the small operations of the businesses in the unfavourable environment such as low standard of living, frequent famines, hostile rulers of feudal system, attraction of gold
and silver, frequent wars and attacks, non-materialistic attitude etc. might have acted to result in low economic performance of the region.

**C] Comparison with Other Regions:**

In contrast to the poor performance of Maharashtrian traders and businessmen, the performance of Gujarati and Bengali traders and businessmen shows a big difference with a considerable progress in the economic activities. Many experts opine that the high performance of these regions was due to the active support of some private English traders. Maharashtra is similar to other regions in the country like Gujrat and Bengal in some of its characteristics while it is totally different than others in some other characteristics. Unlike Bengal, Maharashtra lacks in natural richness and prosperity. Moreover, its economic structure was based on the collection of revenue and according to some thinkers, the state dependent on land taxes can not grow. [22]

**2.6 Birth of Bombay:**

A way out of this closed system was experienced only with the birth of the island of Bombay as a trade and business center as early as in the 17th century, though, the modern industrial development on the island started in the second half of the 19th century.

**A] History:**

For many centuries, the west coast had attracted traders from Arabia, East Africa, and Persian Gulf. From ancient times, the site where the island town of Bombay was eventually founded had been one of the leading ports of the Konkan.

The East India Company was established in 1600 A.D. for trade purposes in Asia with a capital of 70,000 pounds. The Company bought the island of Bombay from King Charles II in 1665 and moved their
factories to that place in 1687. The island was in an undeveloped state then, but the British as an experienced trader could foresee the potential of the island in serving as a port center for their trade purposes. With an eye on the development of the Bombay island in their favour, British made a treaty of cooperation and friendship with the Marathas who by then had developed their marine power on the Arabian sea.

**B] Rise in Importance:**

The EIC and British traders gradually moved their activities from the port of Surat in Gujrat to the island of Bombay. Historians comment that British found the island on the right time as they were finding it difficult to trade in Surat port which was then under the Mogul rule. The religious policy of the Mogul in supporting the foreign traders was not much favourable. Hence, a shift from Surat to Bombay was a welcome change for the British traders in the late 17th century.

The newly developed port of Bombay island contributed in trade even its undeveloped position. It has been noted that King Shivaji had promised the EIC to help them in establishing the factories at Bombay by keeping the stocks of goods from his region. Though, he could not act according to the promise due to his early demise, this shows that not only the British but the Marathas also could foresee the potential of Bombay port in economic and political power. [23]

Thus, one can see the direct link between the rise of the island and the modern development of Western Maharashtra. It could be also concluded that the discovery and development of the island of Bombay which acquired a nodal position in future was one of the most positive events that happened in the 17th century.
2.7 Summary Chart of Major Events in the 17th Century:

At the end, it would be appropriate to give a summary chart showing the main events occurred in the period on the economic, social and political grounds.

<table>
<thead>
<tr>
<th>Nature of Events</th>
<th>Details of the Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>Maratha Rule- [Shivaji [1650-80], Sambhaji [1680-89] Frequent wars between Marathas and Moguls Western Maharashtra emerged as an independent political entity.</td>
</tr>
<tr>
<td>Social</td>
<td>Traditional village economy- caste system, Vatandars and balutedari system continued, Migrations from unstable areas started, Epidemic diseases and wars disturbed the steady life</td>
</tr>
<tr>
<td>Economic</td>
<td>Self-sufficient villages, low standard of living, mass poverty, little exchange system, Coastal trade centers existed, moderate foreign trade, Famines and calamities, Shahi Karkhanas- of pre-capitalist stage existed, Birth of Bombay as a trading port at the west coast.</td>
</tr>
</tbody>
</table>

2.8 Economic History of the 18th Century:

2.8.1 Background:

The 18th century shows a marking change in the political structure of Western Maharashtra as the two dominant powers ruling over the region, the Marathas and the Moguls lost the zest of their power. Once
again, the region experienced the instability and disturbances in the socio-political fields. Also, a gradual take over of power by British from the natives was witnessed. Hence, the period seems to be important in studying economic history of the region.

2.8.2 Economic Scene in the 18th Century:

A] The First Half of the 18th Century [1700-50]

I] Political Change:

A new center of political power rose in the form of the ‘Peshwas’ i.e. prime ministers of the Maratha kingdom at Pune in Western Maharashtra from 1707 which lasted till 1818. The nature of the Peshwa rule and their role in economic development is given later in the chapter. Though, there was a political change in the society, the economic scene especially in the rural areas did not show much change and continued to practice the old ‘closed and self-sufficient’ production and exchange system as is explained earlier.

II] Nature of Industries:

The self-sufficient and closed system of village economic life was continued, however, the urban industries differed slightly in nature than the rural structure.

Generally, the family was the unit of work, and women and children helped the man in manufacturing. Each weaver’s cottage was his own workshop. Although, there were hardly any indigenous capitalist employers, there did exist master artificers who employed fellow artisans and trained apprentices. This was particularly true of the metal industry, which required hard labour and therefore precluded women and children from taking much part in the work.

The most remarkable feature of the industrial sector both, rural and urban was seen in its close correlation between caste and occupation
which led to specialization, but the skill improvement was mainly due to repetition of work rather than any improvement in the technology of production. [24] This shows the backward and traditional nature of Indian industries before the actual modern industries were set up in the region.

B] The Second Half of the 18th Century-[1750-1800]-

Change in Trade and Economic Decay:

It was witnessed that the year 1750 marked the beginning of economic revolution the worldwide. In 1757 the EIC could gain much of Indian territory under its control and replaced the trade policy. Instead of gold and silver as the payment for the exports from India, EIC forced India to buy British made goods as a price for the exports. [25]

Obviously, the ‘Buy British’ policy led to economic decay of the country in the next period. Thus, the period of the 18th century, marks the beginning of an economic change called, ‘de-industrialization’, the process is discussed in details.

2.8.3 De-Industrialization of India:

Introduction:

Though, difficult to trace the exact period of its origin, the process of de-industrialization is believed to start in the late 18th century and continued even in the next century. The analysis of ‘de-industrialization’ seems to be complex as some thinkers hold British rule responsible for de-industrialization in India, while some others point out the positive effects of British rule on the evolution and development of Indian industries in the 19th century. In the present study, an effort is made to present an analysis on the phenomenon of de-industrialization taking into consideration various angles attached to it.
2.8.4 Nature and Causes of De-Industrialization:

A] Nature:

The process of de-industrialization i.e., decay of domestic industries in India could be put at three levels - 1] loss of handicrafts 2] loss in employment opportunities and 3] pressure of population on agriculture and rise in share of agriculture in total working population in both absolute and relative terms. Of course, no reliable and sufficient data is found about these components of the process of de-industrialization.

B] Causes:

It could be found difficult to trace all the causes behind the process of de-industrialization in India in British rule. Some of the major reasons, which could be held directly responsible for the occurrence of the phenomena, are given here.

I] It would be a surprising fact to note that before the process of de-industrialization occurred in India, it occurred in England as the cloth of a better quality from India ruined the poor English manufactures. In retaliation, British government adopted protection against Indian imports and thus, the problem of unemployment in England among the weavers was the root cause for de-industrialization in India.

II] The foreigners were attracted to Indian crafts but, they wanted the craftsmen to cater to their own fancy, designs and patterns. Obviously, this destroyed the original and creative talents of the craftsmen.

III] Another nail in the coffin of the handicraft sector was put in the form of a radical change in the nature of arms and ammunitions and technology of warfare. This rendered blacksmiths and those who manufactured the equipment for horses, elephants and camels to be used in battles in almost unemployed situation. [26]

IV] With the establishment of the British rule in the late 18th century, the native courts existing in India became powerless. This directly affected
the handicraft sector and it began to decline as it was supported by the nobles on a large scale.

V] The urban rich class showed no interest in using Indian handicraft goods but accepted the European fashions which were considered as the hall-mark of enlightenment. [27]

Thus, the decline in Indian handicraft industry happened due to a series of causes found not only in the hostile policy of the foreign Company, but also in the indifferent attitude of its own people and decline of the royal support.

On this backdrop, the actual phenomenon of ‘de-industrialization’ could be understood in details as follows.

2.8.5 Actual Phenomenon of De-Industrialization:

A] Protectionist Policy of Britain:

It could be understood that the British government was compelled to impose restrictions on the import of Indian textile goods in England. The first step was taken when the British Parliament passed the Act of 1700 which prohibited imports of textiles from India, China and East Indies. However, the act failed to stop the imports of the Indian calicoes in England. Further, an import duty was levied at 15% on imports of plain cotton. Despite the prohibitions and import duties there was a rise in the import of Indian calicoes in England. The import levy used by England is assumed to be the beginning of the Protectionist policy in international trade.

B] Exploitative Policy:

It is being noticed that during the period of 1600-1757, the EIC had a vast control on India’s trade and manufacturing sector. As a profit-minded trading company, the Company manipulated prices to the detriment of the artisan, oppressed the weaver and followed other restrictive policies which ruined the Indian handloom and handicraft
industries. This exploitation went to such an extent that it has been criticized that the Company did not show any difference between trading and looting the Indian manufacturers.

C] Policy of Other Countries in Europe:

It was observed that not only England but all other European countries either totally prohibited or imposed heavy duties on the import of Indian cotton goods, resulting in the decline of Indian cotton trade with Europe by the middle of the 18th century.

D] Unemployment:

Moreover, forced imports from Britain to India and change in the taste and life style of the urban rich class who were quite westernized led to complete destruction of the demand for India’s booming artisan industry. Unemployment increased considerably, especially underemployment in the cotton processing industries such as spinning cotton yarn. The intermediate activity of processing cotton ready for weaving was widespread household activity which supplemented agricultural income to the rural households was almost vanished. It seemed that the impact of de-industrialization on Indian economy was a slow but steady process. [28]

E] Rise in Exports as against Protection:

However, in spite of the exploitative protectionist policy applied against India, the imports from India to England rose continuously in the first three decades of the 18th century.

Following table gives the trend in the imports of Calicoes and silk from India to England during the period of early 18th century.

From the table blow, it is clear to see that the total exports of calicoes and silk from India to England continuously increased at a great speed during the third decade of the 18th century, in spite of protectionist measures.
Table 2.3

Imports from India to England in the 18th Century

<table>
<thead>
<tr>
<th>Year</th>
<th>Calicoes pieces</th>
<th>Silks pieces</th>
</tr>
</thead>
<tbody>
<tr>
<td>1721</td>
<td>*</td>
<td>5,549</td>
</tr>
<tr>
<td>1722</td>
<td>718,678</td>
<td>18,439</td>
</tr>
<tr>
<td>1723</td>
<td>1,115,001</td>
<td>58,729</td>
</tr>
<tr>
<td>1724</td>
<td>1,291,614</td>
<td>*</td>
</tr>
<tr>
<td>1727</td>
<td>*</td>
<td>79,602</td>
</tr>
</tbody>
</table>


It is difficult to find the causes of the rise in exports in the initial decades of the 18th century. A guess could be made from the basis of the table that the process of de-industrialization and fall in cotton textile exports of India might have started substantially from the mid 18th century and not before that.

F] Marxist Analysis:

The exploitative policy of the Company which drained enormous wealth from India is named by the Marxists as ‘Bengal plunder’ ‘or ‘plunder of India’, which according to them formed the necessary capital [primitive accumulation] for carrying through the Industrial Revolution in England.

Some experts argue that had India been independent she would have retaliated, would have imposed preventive duties upon British goods and would thus have preserved her own production industry from exploitation. This act of self-defense was not permitted to her as she was at the mercy of the stranger British policy. It was a fate of the country that India was reduced from the state of a manufacturing to that of an agricultural country, by the early decades of the 19th century.

The irony of de-industrialization was pointed out that it occurred when the newborn subject of economics [with the publication of Adam
Smith’s book, ‘An Inquiry into the Nature and Causes of Wealth of Nations’ in 1776] was practicing free trade and *laissez faire* in Britain and other European countries. It has been criticized that neither Adam Smith nor Ricardo had anything to say when the policy of free trade was reversed in the case of India. This shows that British economists in favour of free trade were not ready to apply it in the case of India, until Britain had crushed her industries, during the second half of the 18th century. Moreover, the estimates of national income and other statistics keep no space for the doubt whether India suffered from de-industrialization in British period. [29]

**G] Comparison with United States:**

It would be appropriate to compare the situation with that of the United States, another important colony of the British Empire. The U. S. could develop her manufacturing power from the background of an agricultural country in the 18th century. The country could succeed in protecting her domestic industries against the commercial supremacy of the British, probably because she got herself independent from the colonial rule by Britain in the right time i.e. in 1776.

This could not happen in India. In 1844, German economist Friedrich List pointed out the injustice which had been perpetrated in India. He openly remarked about English hypocrite diplomacy of free trade in England and Europe and protectionist policy in trade with India. It was observed that the restrictive policy was practiced to such an extent that not a thread of India would England permit to be used. It was observed by the experts that India was the only part of the British Empire to which laissez faire, the principle of trade of which British were strong supporters, never was applied. [30]

Thus, the multi-faceted phenomenon of de-industrialization in India seems to be an unique event in the history of the colonial rule in the
world. No doubt, the de-industrialization had a negative effect on the country’s economic and industrial development, some thinkers argue about the positive side of it. This is discussed below.

2.8.6 Positive Side of De-Industrialization:

A] Infrastructures Development:

It was pointed out that unlike their predecessors who used this wealth for wars of self aggrandizement, personal luxury and building great monuments of no benefit to the common man, British used the wealth received by economic exploitation to put in the public works and infrastructural facilities which gradually transformed India from an agrarian, traditional economy to a modern industrial economy. The railways, canals, telegraphs and postal services etc. had a wonderful effect on India’s foreign trade. They not only changed the external appearance of the economy, but also had a deep impact on the nature of her main economic problems such as frequent famines or epidemiical deaths.

B] Rise in Income:

It has been observed that since 1870s, agricultural growth started taking place. It has been pointed out that in the period between 1885-1910, the per capita income rose by approximately 1% per annum, which did not exist even in post-Independence period till 1980s, the decade in which seeds of the current globalization were sown. In fact, some thinkers argue that there was a sort of globalization in the colonial era, with the increase in the cross border trade and continuous financial flows, the period was not much different than the contemporary phase of economic opening up in the 1990s. Further in the 20th century, Indian textile manufacture industry flourished in the inter-war period [1918-39] on account of the weakening of imperial communication links of British empire with the world. [31]
C] Justice Ranade’s Views:

The silver border of the dark cloud of foreign trade of Indian in British rule was acknowledged by some liberal thinkers like that of Justice M. G. Ranade, who pointed out that the country should be thankful for having a creditor who supplies the needs at such a low rate of interest. According to his view, the modernization through railways, telegraph and other communication services could not have been possible for the country on her own. He showed many shortcomings in India’s social system that could have acted against the infrastructural development, had Britishers would not have helped to create it. The immobility of labour and capital, the caste and status based consumption habits of the people etc. would have put the obstacles in developing the social overheads on her own. [32]

In conclusion, the phenomenon of de-industrialization in India remains a puzzle for the scholars of economic history. Though, it would be risky to draw any fixed conclusion, there is enough room to guess that the policy of the East India Company and later by the British government might have adversely affected the industrial and the entrepreneurial abilities of India.

2.9 Business Scenario in Western Maharashtra in the 18th Century:

2.9.1 Background:

Unlike the Eastern scene, where the European agency houses and Indo-British partnership in business was almost the common practice, the western scenario of industrial structure was different. It was observed that the European Agency Houses could never carve out a dominant presence. Also, Indo-British partnership in business was practically unheard of. Consequently, business failures were comparatively low. Though, big industrial houses and business families like that of Dwarakanath Tagore and Jamshedji Jijibhoy in Bengal and British companies like Thomas...
Parry and others in South did not exist in the western part of the country in the 18th century, business life in this region was witnessed to be more stable than the other parts of the country.

The main reason for a greater stability and less foreign hand in the business life of western region in the 18th century can be traced in the political independence, the region could enjoy till the beginning of the 19th century [1818].

One more feature of the business in western region in the 18th century was observed that it was mainly internal in nature due to fall in the commercial links with other parts of the country and the world after the death of the Mogul king Aurangzed in 1707.

Moreover, the EIC created a monopoly in the opium trade and the Bombay government supported it by giving protection to the Company. Hence, export of opium from western India remained a clandestine affair for a long time. [33]

From the background nature of the business scenario in Western Maharashtra in the 18th century, it is clear to understand that the region did not witness the uniform situation for business activities as that of the eastern region of the country. These differences make the need for a separate study of the region.

Also, the growth of the city of Bombay into an important business center led to create more differences between the east and west of the country. Hence, below is given a detailed discussion on the rise of Bombay as a trade and business center in Western Maharashtra since the 18th century.
2.9.2 Rise of Bombay:

A] Background:

A way out of stability in the trade activities of Western Maharashtra became possible with the rise of Bombay island as a commercial port and city. Though, in the early 18th century, it was a pale shadow of what it would become within a few decades and much of its development was witnessed in the mid 18th century.

B] Causes of the rise of Bombay as a Business Center:

Many factors could be considered as the causes for the rise of Bombay as a business center. As is seen in the discussion on birth of Bombay while discussing economic history of the 17th century, the step of British government and The East India Company to make Bombay as the main port for trade with the west could be given as the root cause for the emergence of the city as a trading center. Besides, a couple of other factors contributed to the economic growth of the city.

1] Decline of Surat Port:

Gradual decline of Surat, a city port in southern Gujrat as the most important commercial center coupled with the rise of the British to a dominant political position in the region in 1750s, had much to account for the rapid transformation of the island city of Bombay. Since 1784, Bombay started big exports of raw cotton to China due to the closeness to the growing areas of Vidarbha on the eastern side of Maharashtra.

2] Migrations:

Bombay attracted ambitious individuals and trading groups from Gujrat as well to a lesser extent from Maharashtra. Gujratis, Jains from Rajsthan, Konkani Muslims from the coastal Maharashtra etc. were the major communities who shifted from their native places to the emerging island of Bombay. The newly settled merchants in Bombay got a boost by the ‘permit system’, which brought them into the business of exporting of
opium in a big way. A rise of a new migrated class of businessmen involved in the ancillary operations such as transport, ginning, agents, middlemen, interpreters, guarantors, brokers etc. emerged in the city leading to a speedy growth in the business environment of the region.

3) Contribution of Parsis:

One of the important migrants to Bombay were Parsis- who migrated from Surat, Baroch ,Navsari, Cambay in Gujrat. The emergence of the entrepreneurial potential of the Parsis and their role in the evolution and development of entrepreneurship in Western Maharashtra is discussed in Chapter III.

Parsis established themselves mainly in the ancillary sectors as guarantors, brokers, contractors, exporters, ship builders, suppliers for troops, importers, general traders, moneylenders etc. They also did not hesitate to prove their entrepreneurial talent by becoming weavers, artisans, liquor brewers, retailers of imported alcoholic drinks, carpenters etc. Thus, they could be said to have successfully metamorphosed themselves from an agricultural community in Gujrat into business community in Bombay in the 18th century. It has been reported that almost all trade between Europe, East Asia and Bombay went through their hands.[34]

Thus, the people and the land of Bombay played a very significant role in the development of entrepreneurial and industrial sector not only of Western Maharashtra but also in the country, especially in the 19th century.

Like Bombay, the city of Pune, the capital of Marathas contributed in its own way to the industrial development in the region during the regime of Peshwas in the 18th century. Below is given a brief sketch of the economic scenario of Pune in the 18th century.
2.10 Economic Scene in Pune under the Rule of Peshwas-
[18th Century]

2.10.1 Background:

Unlike Bombay, Pune was never famous for its trade and industries. Though, a capital town of Maratha rulers- the Peshwas, the city had no favourable atmosphere for the development of manufacturing and marketing. This could be justified on the basis of the location theory of industries. Pune was not geographically situated on any important routes in the country and was having only communication to its immediate hinterland, i.e. the Maval tract. At the most, the favourable factor that the town enjoyed was its strategic position for military purposes. Historically, it never had a special significance like the towns of Wai or Paithan, which were known as ‘wisdom hub’ in the past. Also, Pune was not an important place of pilgrimage like Nashik or Pandharapur in western Maharashtra

Peshwas became politically strong, since their appointment as the prime minister of the Chhatrapati of Satara in the second decade of the 18th century. They spread their political rule over the north region and became a threat to the Muslim kings. They even surpassed the political status of the Chhatrapati of whom they were recognized as hereditary prime ministers. The period of Peshwas could be tentatively divided into two parts- the former [1725-1770] and the later [1770-1818]. [35]

The later period which witnessed the process of economic and political decline in the Maratha power, seems more interesting and challenging as it has been studied that in the process of economic decline, society gets into unproductive activities, gambling seems to flourish along with feasting, acquisition of luxury articles and dress for vain display etc. begin widely.
The later period of Peshwa rule was no exception to this. Peshwa rulers were heavily indebted. The defective system of tax revenue in a feudal way did not yield much for the state. Gradually, the Maratha power died its death and the region was handed over to the British. The second birth of the economy of Western Maharashtra took place in the second half of the 19th century, with the rise of modern industries in the region. [36]

2.10.2 Policy of the Peshwas:

Peshwas being the recognized power in the region of Western Maharashtra, played an important role in influencing the economic and business scene of the region. Their policies led to create either direct or an indirect impact on the economic structure of the city and the region. Below is discussed the nature of various policies implemented by Peshwas and their impact on the economic scene.

A] De-Nationalization of the Army:

Peshwa’s policy of granting jagirs and saranjamis liberally inside swarajya, and the military expenditures for invading Mughal territories led them to a chronic financial difficulty and heavy debts. In order to liquidate the debts, the Peshwa resorted to predatory expeditions to south India as well as to Rajshtan during mid 18th century. However, the attacks did not help the government to liquidate the loans, on the contrary caused more expenditure. To overcome the financial crisis, the Peshwa increased the land revenue rates on the cultivators. The Government encouraged vigorously cultivation of state land and wasteland by offering favourable terms to the peasants. This led to the process of ‘de-nationalization’ of the Maratha army, wherein the native Maratha soldiers were being replaced by the foreign mercenaries. Some historians explain that the subsequent fall of the Maratha power in the early 19th century has the roots in the ‘de-nationalization’ of the Maratha army.
B] Heavy Borrowings:

Besides, the *Peshwas* rewarded their lenders by granting them government posts and the right to collect revenue from the people[ known as *kamavisdars*]. These *kamavisdars* gradually became moneylenders and some took to trading. They used to give advances against the security of land revenue. In addition, the rulers raised loans for military expeditions from them. This gave a great philip to money lending business. It was observed that the new entrants did not come from particular caste or section of the society, but all those who could arrange for the minimum start-up capital started trading.

C] Expansionist Policy:

However, to the unfortune of the city and the region, the newly acquired business gains were not invested in the manufacturing activity on a large scale. *Peshwas* accepted an ambitious expansionist policy which needed funds supplied by the moneylenders, encouraged money lending and old style banking than any other business activity. The moneylenders became virtually an integral part of the administrative apparatus of the rulers. They were given concessions from the kings like exemption from the duties for the specific periods so that their capital may be used continuously for lending purposes. Moreover, traders were allowed to run the government shops of the imported goods obtained from the other regions. The Archival records mention a large number of high-caste [Deshastha and Chitpavan Brahmans] people as the leading bankers/traders or moneylenders. The rise of the community of the Chitpavans as a major class of bankers could be traced to the kinship ties with the Peshwas. Thus, the city and surrounding region could have experienced the occupational mobility in a moderate scale. [37]
D] Migrations:

In spite of considerable occupational mobility in the city, there remained a wide gap which could have been filled by the outsiders. Hence, the _Peshwas_ welcomed the Gujrati merchants and granted them various kinds of concessions. The new comers who were already developed in the business and money lending activity, took no time in establishing themselves into the lands of western Maharashtra. This could be said as the beginning of the economic development of the region.

The Archival lists of bankers mentions that, out of 75 principal bankers at least 12 appear to be of Gujrati origin in 1755. In fact, the migrants became more important than the native bankers in the scale and skills of the business. One such name is stated of the Haribhaktis who were two Gujrati banker brothers originally hailed from a small village near Baroda. They by mid 18\(^{th}\) century had become fairly important in the financial life of the Gaikwad state. They opened their branch in Pune sometime after the third battle of Panipat [1761] which probably could have been possible only by the initiative by the _Peshwa_ ruler, then _Peshwa_ Madhavrao. It is quite obvious that the bankers and moneylenders would find it more attractive to work in the main capital center of the region than in the small town of the capital of a feudatory state like Gwalior or Indore. [38]

This again led to progressive economic atmosphere in the city and nearby region of Western Maharashtra.

E] Manufacturing and Industries:

As is mentioned earlier, the industrial scene in Pune during the regime of _Peshwas_ was poor. Only coarse cotton cloth was reported to be produced in the city. Silk weaving was practically unknown, till the mid 18\(^{th}\) century when silk manufacturers were brought by the _Peshwa_ from Paithan and Yeola, the famous centers for weaving silk sarees [Paithanis].
It has been reported that during 1883-84, there were about 1100-1300 handlooms, of both cotton and silk which were run by approximately 700-800 Hindu and Muslim weavers to produce sarees and turbans. Generally, as a rule, Hindus were engaged in manufacturing sarees and Muslims produced turbans.

Surprisingly, the newly started silk weaving industry ranked second amongst all the local industries, and even eclipsed the original center of Yeola. By the use of attractive aniline dyes Poona silks were said to have gained slight advantage over Yeola productions in the local markets. The silk weaving industry mainly concentrated in producing the ethnic wares such as *Paithani* and *Pitamber* which were sent to other cities and towns like Bombay, Pandharpur, Satara, Sholapur etc. It was a common practice that the weavers used to meet their financial needs for manufacturing by borrowing from the silk dealers or worked as labour for piece wage, without involving any initial investments on their own. [39]

Though, some developments were witnessed in the industrial sector, no considerable industrial development of the city took place. The development of industries in Pune began only in the later period of the 19th and early 20th century along with the entire region of Western Maharashtra. Thus, it could be summarized that the city of Pune under the rule of *Peshwas* in pre-British rule was industrially undeveloped though, it was a main center of trade and banking in the region and there could be seen some marks of development in a limited way.

2. 10. 3 Analysis and Criticism:

It has been always criticized on the policies of *Peshwas* that instead of the expansionist policy, had they concentrated on the economic development of the region, Pune and Western Maharashtra would be industrially developed, even much before the actual beginning of the modern industries in the mid 19th century.
Moreover, it was observed that not only the kings but also the wealthy subjects had a practice of wasting money on warfare and religious celebrations. Perhaps, they could have changed their attitude in a due course of time had not the colonial power set in the region in the early 19th century. Thus, the much-needed social change resulting in industrial development could not occur.

Besides, the absence of a purely trading community –the *Vaishyas*, in the region who were present in other states such as Gujrat and Bengal, made the economy of Maharashtra industrially backward. Lastly, the low industrial development in the region could be attributed to the biased foreign rule and mass poverty among the people. [40]

On the whole, in the 18th century, Western Maharashtra and mainly the leading cities like Bombay and Pune were going through a process of transformation from a closed agrarian system to a modern industrial economy. Though, the process was slow, there seems no doubt in concluding that the 18th century did create a foundation on which the tower of modern industry was built in the later period.

2.10.4 The Summary Chart of the Major Events in the 18th Century

**Century:** The chart for the period of the 18th century showing various social, economic and political changes in the region of Western Maharashtra is presented below.
Table 2.4
Summary Chart of Major Events in the 18th Century

<table>
<thead>
<tr>
<th>Nature of Events</th>
<th>Details of the Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td>Rise of the Peshwa rule [1725-1818], slow Decline in the power of the Moguls and the Marathas, Political instability, transitional period, Change over to the establishment of British rule [1757 onwards]</td>
</tr>
<tr>
<td>Social</td>
<td>Occupational mobility, Migrations to Bombay and Pune from other parts of the region and the country</td>
</tr>
<tr>
<td>Economic</td>
<td>Non-factory structure of the textile industry, De-industrialization- i.e. decline in the handloom and handicraft employment, Growing pressure on land, Protectionist policy of Britain- one way free trade, silk and calicoes exports increased, Rise of Bombay as a major trading center, Positive contribution of Pune city in trade, Overall increase in financial activities, No considerable industrial development.</td>
</tr>
</tbody>
</table>

2.11 Economic History of the 19th Century:

2.11.1 Social Change in the 19th Century in Western Maharashtra:

Background:

Generally, economic history of India in British rule is classified into two phases- 1] period from 1600 to 1800 and 2] from 1800 to 1947. It was noticed that the nature and impact of the colonial rule in both the phases was quite different. The study has already presented a discussion on the first phase of British rule. The nature of the social and also
economic change in the 19th century which directly helped the rise of modern industries in the region is discussed below.

2.11. 1 -A] Modern Education and Emergence of a New Class:

a] British Education System:

Introduction of modern education system for Indians made by British as early as in 1813 could be regarded as the first factor leading to a socio-economic change in the region. It would be interesting to know that Indians could enjoy the modern education even before it became universal in Britain. However, the advance of an early start could not initiate a considerable socio-economic change in the country within the initial three-four decades. Gradually after 1840s, the society witnessed a social change with the emergence of the new class of educated youths.

With the advancement of western education, new class emerged consisting of government employees, lawyers, doctors and other professionals from the traditional high caste ‘literati’ people which already had been serving the administrative apparatus of the pre-British rulers. However, this class was basically known for its scholarly and intellectual occupations and the community hardly had any kind of artisans.

Need for Modern Education:

With the sound establishment of their rule, British felt an urgent need to create a new class among the native people which could be useful in the administration of the country as it was not possible to bring in the educated people from Britain, except for the upper posts of officers. The famous opinion by Macaulay, an English administrator of India in the 19th century, was to create a ‘class of persons, Indian in blood and colour, but English in taste in opinions, in morals and in intellect’ became the British policy and such a class really emerged in the society. British made English as the medium of instruction of higher learning and the official language in the year 1835 and also introduced university education in
English for the natives. Though, the new education aimed to produce clerks and lawyers, it did expose the Indian students to the as much scientific and technical knowledge as the typical student in Britain got in his country. [41]

b) Role of the Christian Missionaries and Others:

Apart from the British government, the contribution of the Christian missionaries in spreading modern education among the masses could be regarded remarkable. In fact, they laid the foundation of modern education in India, long before the government took any step in this regard. Of course, their attempts were feeble and could not satisfy the growing needs of the colonial economy.

Besides the government efforts, many British liberals became the source of modern education. It would be interesting to note that most of the articulate Orientalists were not Indians, they were almost all Englishmen in the service of the Company, whereas almost all Indians of repute were ‘Anglicists’. The famous personality of Raja Rammohan Roy in Bengal [1772-1833] who took initiative in popularizing modern education in India could be worth mentioning.

Also, there were no barriers to the movement of skilled artisans or machines from Britain to India. Moreover, the EIC spent considerable sums to develop geographical and geological knowledge which was intended for the use of potential entrepreneurs. It is debated over that the new class invested in the industrial sector and contributed to the development of the area either by interest or because of lack of other opportunities to invest. It was observed that in cities like Bombay and Calcutta, there were small societies with Indian members which were devoted to the spread of scientific and technical information of all sorts. [42]
c) Intellectual Movement:

The introduction of printing press, railways and transport, post and telegraph along with western education system led to a social change in the society. Social reformers like Raja Ram Mohan Roy, Gopal Hari Deshmukh, Swami Dayanand Saraswati, Mahatma Jyotirao Phule, Justice Ranade etc. struggled hard to popularize modern education and new values of life.

News Papers and Printing Movements:

Development of press and higher education led to an intellectual revolution. One Mr. Balshastri Jambhekar who was among the first batch of university educated youths started a newspaper in vernacular language titled, ‘Darpan’, as early as in 1832 in the year the British Parliament introduced progressive and liberal policies. The newspaper was believed to create a new era in Western Maharashtra.

One might wonder about the encouraging policy of British government for this kind of change. A guess could be made that perhaps, British rulers thought it better to trade with a developed economy than to rule over a backward one, as a backward society does not need the modern products produced by them. The evidence shows that the Governor General of the region, Charles Metcalfe viewed in 1836 that the freedom of press would strengthen the British empire. His opinion proved true in the passage of time. [43]

Protestant Movements:

The pro-British attitude and efforts by the newly educated youth class could be justified on the grounds that the backward society of the country needed a big boost, which could be only possible by adopting the western style. One of such efforts was the establishment of ‘Prarthana Samaj’ i.e. a Protestant movement on the guidelines of the Arya Samaj in Bengal, initiated and supported by the intellectual leaders like Dr.
Bhandarkar, Justice Ranade etc. However, the movement could not spread widely as its parent movement in Bengal and remained limited for only a handful of intellectuals.

**Nationalist Movements:**

This loss of the society was partially compensated by the preaching of socio-political leaders like Lokmanya Tilak and his colleague, Mr. Agarkar, who successfully created nationalist feeling among the people in the last decades of the 19th century. Agarkar, started a newspaper, ‘Sudharak’ [meaning reformer] to propagate the new ideas and values of life. He specially concentrated his efforts against the social injustice made to the women in the religion-driven society of those times.

However, referring August Kant, a western philosopher it could be stated that the region was far away to achieve the state of a ‘positive’ society i.e. a society using living and non-living things in favour of one’s benefit from the existing ‘meta-physical’ state, i.e. utmost belief in the spiritual and other worldly things than the efforts to improve one’s material life. [44]

**B) Critical Evaluation of the Social Change:**

The above-discussed social change had certain differences from that of the modern education in the west, which directly helped the economic development in the west.

Modern education in India was not a part of gradual evolution but was imposed externally. Hence, the new class could not show a balance between the old and the new system of life. Unlike the middle class in the west, the new class in India was directly linked to agriculture, which could not make them completely free from the old pattern of life.

The efforts to print in the vernacular were not much unsuccessful for a long while and the new education did not spread easily and deeply in the masses of the country. Moreover, the ‘infiltration theory’ of
education did not succeed, as the middle class was concerned more with their employment than with educating the masses for no benefit of theirs. Besides, the newly educated class developed contempt for manual work, which would never be considered as a positive feature of the change.

Critics have commented that there was no middle class in India on the lines the west. The so called middle class in the country was observed to be a ‘parasitic’ class, dependent on the state patronage. Naturally, this contributed to lead to a wide split in the society into ‘high’ and ‘low’ class people. The common people could never realize the existence of new sciences such as economics, political science, sociology etc. which influence and guide the social structure of the economy. It would not be much exaggeration to comment that had the Mutiny of 1857, a revolt by a few princely states and native British soldiers against the ‘raj’ been successful, there would not have been much change. The country would have had reestablished its old system of feudalism.[45]

Thus, there was observed a big difference in the pattern of social change and formation of the middle class in the west and in India.

Above discussion shows that the introduction and the spread of modern education in the country and the region acted as an agent of the growth of the modern industries in the region. Though, there was a big difference in the pattern of development of middle class in the west and in India, it certainly would have helped for economic development.

In short, the economy of Western Maharashtra in the period between 1818-1857 [first half] witnessed a mixed social change.

2.11.2. Economic Change in the 19th Century:

Introduction:

Obviously, from the viewpoint of the present study, the impact of economic change that took place in the 19th century would be considered more important than that of the social change occurred in the same period
as it could be agreed that the economic changes might have influenced more directly on the rise of modern industries.

A] Occupational Change:

Traditionally, the country had a strict occupational structure based on the division of four occupational classes, \textit{varnas}. The \textit{Brahmins} were given the religious functions, the \textit{kshatriyas} who were basically the ruler class and were responsible for protecting the society against foreign attacks, the \textit{vaishyas}, trader class and the \textit{shudras}, the last in the hierarchy of the social structure was given the servant-cum-slave status. It was observed that the Maratha rulers emphasized on the first two classes and neglected the last two classes either partially or completely. As a result, the society paid its price for the negligence of the trader and merchant’s class in the form of economic backwardness.

With the fall of the Maratha rule, besides the considerable occupational change that occurred in the upper strata of the society, which has been discussed earlier in this chapter, there occurred a comparatively milder change among the artisan class and petty workers. The soldiers, and artisans who were dependent on the royal army such as horse trainers obviously, lost their jobs. These people tried to shift from their traditional occupations to new sources of living such as painting, making artistic articles of leather and metal etc. This was a downward shift in their social and also economic status. However, almost no change was observed among the class of petty traders and small merchants who were engaged mainly in trading daily consumption goods and grocery products.

During the process of economic change, there occurred a reallocation of labour from settled agriculture and handicrafts to the new lands in the country and overseas and new occupations in the fields of plantations, mines, and public works. The process took a speed with the
introduction of railways and telegraphs in 1850s. Growing imports from Britain led to economic boom in the region and in the country as a whole. Simultaneously, new jobs of big salaries emerged fast and were captured by the educated high caste class in no time. Also, the manual jobs rose fast and the migrated agriculturists from villages were benefited by these. They also received hike in their wages. [46]

B] Standard of Living:

Along with the positive economic change stated above, there was observed a negative economic effect in the society. The rise in job opportunities and income levels was surpassed by the rise in the prices of food grains, rent etc. It was observed that the food prices were increasing two to three times faster than the rise in wages of the labourers and artisans. Obviously, this led to the deterioration in the standard of living of the masses.

The situation worsened at the end of the 19th century, [1896] when the British government reduced tariff on the imported yarn [from 5% to 2.5%] which led to rise in competition by foreign mill owners with the domestic cloth manufacturers. The nature of tariff policy became regressive which fell heavily upon the poor people who used coarse domestic cloth and was light on the rich class who used imported cloth. It was only in the beginning of the 20th century, an agitation against the unjust tariff policy of the British was led by nationalist leaders. The process of de-industrialization discussed earlier could be linked with this issue to understand the nature of standard of living in the region in the 19th century. [47]

The role of the Princely states as a savior of rural employment and even encouraging domestic entrepreneurship would be regarded as an oasis in the desert of unemployment in the region. The role of the
Princely States in developing entrepreneurial skills is discussed separately in Chapter V.

C] Origin of ‘Swadeshi’ Movement:

The years between 1849-57 are considered as the birth period of the famous ‘Swadeshi’ movement, though the actual agitation of the movement was carried on as a forceful political weapon against British rule only 1905 onwards in the able leadership of Tilak with a huge public support. The credit of initiating the thoughts of the spirit of the movement goes to Mr. Gopal Hari Deshmukh alias ‘Lokhitwadi’ who introduced the concept of domestic manufacturing against the foreign imports. He was among the first to preach the boycott of foreign goods and replace them with domestically produced goods. He tried to convince about a long term advantage in using coarse and dear cloth produced at home than the immediate benefit of using cheap, fine quality imported cloth. His views seemed to match with that of Friedrich List, the first supporter of economic nationalism. His argument that had India have matched the political agitation in 1857 with that of ‘Swadeshi’, she would have achieved political and economic independence too could be given a thought by historians. [48]

D] Poverty and Economic Drain:

It was Dadabhai Naoroji, a nationalist and the founder of Indian economics, who indicated the attention of the learned class of the country towards the nature and causes of poverty in the country. Naoroji called the process of carrying away wealth to Britain as ‘economic drain’, in his book, ‘Poverty and UnBritish Rule in India’ which created a revolution among the scholars.

Not only Indian thinkers, but also international thinkers like Karl Marx, founder of socialism pointed out the adverse economic effects of British rule on India. Even before Naoroji showed the economic side of
the foreign rule, the region of Western Maharashtra was leading a role of being the pioneer in restructuring economic scene in the country through setting up of modern industries in mid 19th century. [49]

E] Poor Agricultural and Rural Sector:

In spite of the substantial change in almost all fields of life, agriculture did not show a considerable change either in the cultivation methods or cropping patterns except the introduction of a few new crops like potato etc. till the first two decades of the 20th century. There was almost zero level mechanization [with an exception of Kirloskar oil engines, origin of which will be given in Chapter IV.] The general tendency of the average farmers was to cultivate what was traditionally practiced.

Moreover, frequent famines worsened the situation and hampered the growth of agricultural sector. Frequent famines along with epidemic plague were reported to have killed millions of people in the last decades of the 19th century. Surendranath Banerjee in his presidential address [1901- Ahmedabad Congress] analyzed the cause of famines as not the failure of crops or scanty rains, but the poverty and lack of purchasing power of the masses which makes them unable to buy the required food at prevailing prices. Also, lack of convenient mode of transport to carry food from surplus to the needy areas was another reason pointed out for the occurrence of life-taking famines. [50]

Thus, in such an adverse economic situation, where mere existence of life was regarded as a gift of nature, it would have been unjust to expect any remarkable progress on the front of industrial development. To anybody’s surprise, on the adverse backdrop stated above, the amazing economic change in the form of rise of the modern industries occurred in Western Maharashtra, in mid 19th century.
2.12 Rise of Modern Industries in India:

Though, the phenomenon of rise of modern industries in the region should be considered as a part of the economic change that occurred in the 19th century, it would be agreed that it should be studied with a separate significance attached to it. The phenomenon, which is believed to be born in the 1850s, was a result of a complex background and many events, which could be held responsible for the phenomenon to take place.

2.12.1 Industrial Revolution in the West:

Before discussing the actual phenomenon of rise of modern industries in India, it would be appropriate to see in brief the similar process i.e. Industrial Revolution in Great Britain mainly during the period of 18th and 19th century. The phenomena is also termed as ‘rise of modern industries’ and is recognized as one of the greatest economic phenomena in the modern history of the world. Obviously, it might have influenced on the colonial economy of India.

Though, it was a complex phenomenon to explain in brief, following background could be held responsible for the event to occur. The availability of huge merchant capital acquired through a favourable trade with its colonies and decline in the economic power of the king and simultaneously increase in the powers of the Parliament, decline in the volume of public borrowings by the King resulting again in the availability of a bulk of capital in the hands of the people which in turn was invested in the private enterprise could be stated as direct reasons for the rise of modern industries. Moreover, a free society that welcomed change, with political stability and favourable geographical position with iron and coalmines and shortage of man-power which encouraged technological inventions were among other positive assets with England. More precisely, the active role of the middle class in England who
worked hard to invent new technology could not be neglected. One of the interesting features of the Industrial Revolution in Britain was that their it was carried on without any deliberate support of the government. Hence, it would be no exaggeration to comment that it was the true entrepreneurial spirit of the Englishmen that crowned their country with the status of ‘the workshop of the world, the forge of the world, the bankers of the world and world’s greatest carrier.’

Thus, the entire process of industrial development was self-spreading without the deliberate efforts of the government. It is also guessed in addition that the regressive taxation might had accumulated capital among the rich class leading towards the investment in industries.

2.12.2 Differences in India and the West:

On this backdrop, the situation in India seems to be a contradictory one. The unique and intrinsic ‘culture of poverty’ i.e. mass poverty over a period of time and the habit of investment in gold and silver by the middle and rich class as a form of insurance against the odds of agriculture and famines could have hardly resulted in the accumulation of capital which could be invested in modern industries. Moreover, unfavourable foreign trade resulting in ‘de-industrialization and a low status of a colonial state could be considered as the main obstacles in the process of rise of modern industries in the country. [52]

It could be clearly seen that there was a huge difference in the social and economic atmosphere of England and that of India. Hence, one needs a separate approach to study the process of industrial development in both the countries.
2. 12.3 Industrial Development in India:

Industrial development in the period of British rule could be studied by classifying into different phases. Generally, the period of about a century is divided into four phases. These are –

1] Prior Attempts- [in the early 19th century]
2] From 1850s to 1914 [pre - First War period]
3] 1915 to 1939 [First World War and the Inter- War period]
4] 1939 to 1945/47. [Second World War and thereafter till Independence]

It should be admitted that the division of the period is flexibly made and no systematic data and information could be strictly presented according to the division.

1] Prior Attempts [Early 19th century] - European Firms:

It should be made clear that the role of European firms in the development of modern industries in Western Maharashtra could be considered as less important if compared to the same in eastern region of the country. They showed their existence mainly in three phases, first during 1820-30s with the establishment of some Scottish firms, secondly with the abolition of Navigation Act, firms like Volkart Brothers took a boost and the last phase occurred in 1850-60s, in which many branches of Liverpool and Manchester based companies like that of Ralli Brothers were established.

The impact of these firms was limited in Western India as the main trade of opium and cotton yarn was controlled by Indian merchants. Moreover, they had to depend upon the middlemen and the importers of their products; hence, they were a negligible part of the entire process of industrial development of the region. [53]

Though, weak and scattered in area, some of the prior attempts to initiate the rise of modern industries even before the actual beginning of modern industries was made in the 1850s, need to be mentioned in brief.
It should be made clear that the recorded attempts to start a modern industry did not occur in the chosen area of Western Maharashtra. The records show that there were a few attempts made at Calcutta in the eastern region and Pondicherry at south which were supported by the French government as early as in 1817 and 1830 respectively. Unfortunately, these attempts were failures and ceased to exist by 1840. It could be suggested that the efforts failed because the conditions for their success were not ripe in those times and in those places. The backward state of transport and communications and unsettled conditions in many parts of the country might have hindered these industries from tapping Indian markets for both – raw materials and selling their final production. Thus, these isolated attempts to start modern textile mills could not lead to the emergence of a modern cotton mill industry in the country. [54]

This reflects the importance of the external factors in the growth of firms and entrepreneurship. It was proved in the economic history of India that it is not easy and simple to analyze the process of industrial development in the country. Had these efforts been successful, the economic history of the country and especially Western Maharashtra would have been completely different.

2] 1850 to 1914- [Pre-First World War period] - This period of about seven decades can be regarded as the foundation period of modern industries in the country. It covers the second half of the 19th century the period is associated mainly with developments of the three industries – namely jute, cotton and iron and steel. Among these three industries, the first and the third did not exist in the region of Western Maharashtra. Jute industry developed in Bengal and iron and steel industry pioneered by Jamshedji Tata had its roots in Bihar, both in the eastern part of the country. Hence, the present study would mainly concentrate on the development of the cotton textile industry in Western Maharashtra.
The period along with the beginning of modern industries experienced many drastic eco-political changes which influenced the industrial development. Though, Chapter V discusses in details the various factors influencing entrepreneurial growth in Western Maharashtra, it would be appropriate to present an analysis in brief about the major factors that influenced the industrial growth. The analysis is presented below.

A) The Beginning:

[1850s –70s] As is recorded, the real beginning was made in Bombay in the 1850s, by an Indian entrepreneur, entirely with Indian capital, Indian managers and Indian technicians. The day was 22nd February 1854, that the modern textile industry was born in Bombay by a Parsi entrepreneur, named Cowasjee Nanabhai Davar. He started the Bombay Spinning and Weaving Company in Bombay, by importing 20,000 looms from Plat Brothers of Oldham in England. He was a son of a rich merchant agent to a number of English firms. He was also active in banking and cotton export sector before his revolutionary action of pioneering the modern industry in the country with indigenous capital and management. Moreover, he started three banks [namely, Commercial Bank in 1845, Mercantile Bank in 1853 and Broker’s Loan Discount and Banking Company in 1861.] Besides, he had installed the first hydraulic press in Bombay in 1853.

He was among the three entrepreneurs who started their ventures in the cotton textile sector in 1854, the other two being an Englishman, James London from U.S. and the Indian, Manekji Petit. One more Parsi entrepreneur Mancherji Nowrojee Banaji [1837-90] founded the City of Bombay Mill in 1885.

Thus, Bombay took the lead to initiate and spread the activity of modern textile mills in the second half of the 19th century. The industry
continued thereafter through various socio-political and economic events in the next period.

Below is presented an analysis on the process of industrial development in the region passing through major events that happened in the history.

I] American Civil War-[1861-63]: Immediately after the beginning of modern textile industry during 1861-63, a positive change for India’s foreign trade occurred which is known as American Civil War, i.e. the internal disturbances in the colony of North America for freedom against slavery by the blacks. Due to the disturbances, American exports of cotton to Britain came to almost standstill hence; it became difficult for British cotton textile mills to run their business. Indian cotton exports were obviously encouraged which led to create a huge profit for the cotton cultivators. Though, the disturbance lived only for a couple of years, it led to a long time impact on the stock of the merchant capital that was flown into the country, of which it could be guessed correctly that at least a part if not the whole could have been used for investing in modern industries.[55] Thus, the problem of Britain and America turned out to be an opportunity for India to develop its modern industries.

II] Suez Canal- [1869] Another important favourable change that took place in the early phase of industrialization was the opening of Suez Canal which joined the Mediterranean Sea and the Red Sea due to which trade and transport of goods to Europe became faster. The short distance and time reduced the duration of voyage, and the insurance costs of exports and imports.

As Suez Canal opened up the closed economy of India to the world it resulted in increasing competition with America. It was proud on the part of the cotton textile sector that it faced the foreign competition bravely and marched on the road of progress.
III] Telegraph and Railways - [1860s] Introduction of reliable telegraphic communication in 1860s was another change to influence positively on the industrial growth. It has been noted that the telegraphic communication enabled the Bombay merchants to receive ‘firm offers’ of overseas trade along with the reduction in time of dealings.

The disaster in the form of ‘Share Mania’ i.e. stock market fluctuations during 1860-70s, was another great factor that might have influenced the trade and business operations. Unfortunately, there is no reliable information about the modes of operation of the traders in those times, due to which the nature and extent of accumulation of merchant capital is not known.

Besides, introduction of telegraphic communication, it was a pleasant coincidence that the modern industry was born as a twin sister of the railways. The first railway emerged in the country on April 18, 1853, between the two suburbs of Bombay, i.e. Bhyculla to Thane. Soon, it expanded to the hinterland areas and other parts of the country with the formation of Great Indian Peninsular Railways company[G..I.P.R.] which obviously increased the speed of trade.

Thus, the discussion on the various positive and favourable factors that took place in the beginning phase of modern industries [1850s-70s], clearly shows that the process of industrialization in the country was a right decision at a right time as it is stated in the theory of growth of firms and entrepreneurship.

B] Progress: [1870- 1914] with this start, the first era of industrial growth began in the region. Jamshedji Tata, founder of iron and steel industry in the country in the early 20th century, started his Empress Mill at Nagpur in 1887. In 1877, Morarji Gokuldas, one of the leading traders and merchants of western region, set up a cotton textile mill at Sholapur, in southern Maharashtra. It has been reported that by 1892, there were
total 64 cotton mills in Bombay, 68 in 1896 and 76 in 1901. Not only the progress occurred in setting up cotton textile mills but other industries too emerged gradually.

**I] External Environment:** The enormous profits made by Indian merchants from trade with China during 1834-55-56 were the main source of capital for the industry. During 1860s, government of India increased import duty from 5% to 10%, cotton textile industry of India, i.e. Bombay took a due advantage of this protective tariff and increased rapidly during this period. Theory of Protective tariff thus, proved true here. Soon, the import duty was reduced back to 5%, still the number of mills established in Bombay continuously kept on increasing.

In fact, it was stated that there was no duty levied on imports from Britain, during a long period from 1882-94 and further till 1927. In spite of the absence of protection, cotton textile industry of India, did not look back and reached to the position of world’s second largest textile industry.

The nourishing environment for the progress could be found in the enlightenment and nationalist awareness emerging among the educated class, thanks to the efforts of leaders like Justice Ranade of encouraging domestic industries were giving fruits. [56]

The influence of the leaders like Lokmanya Tilak and others was considerably notable to influence the socio-economic changes in the economy. One of such influencing factor was the Swadeshi movement led by great leaders which reached among the masses to favourably influence the establishment and development of modern industries in different sectors.

**II] Swadeshi Movement-** [1905 onwards] The political agitation against British production introduced in the late 19th century and in the first decade of the 20th century could be stated as a directly responsible factor
to influence on industrial growth. The political agitation actually started to protest the Partition of Bengal in 1905, led to boycott the foreign goods and patronize domestic manufacturing. In fact, this could be regarded as one of the most influential factor to encourage domestic industries. [57]

Many of Indian industries were established under the impact of Swadeshi movement, some of which like Godrej and Boyce turned into big industrial houses later. Chapter IV gives an account of some of these industries.

III] Major Centers of Industries- After discussing the process of beginning and progress of modern industries in Western Maharashtra, it would be interesting to take a glance of the industrial scenario in the end of the 19th century. Following table shows the major centers of industries in the period.

Table 2.5

<table>
<thead>
<tr>
<th>Area</th>
<th>Total industries set up by 1899</th>
<th>Working industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahamadnagar</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Khandesh</td>
<td>86</td>
<td>81</td>
</tr>
<tr>
<td>Nashik</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Pune</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Solapur</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>113</strong></td>
<td><strong>108</strong></td>
</tr>
</tbody>
</table>


From the table, it is clear that Pune and Solapur showed a considerable progress in industries. To one’s surprise, it is the area of Khandesh in the northern Maharashtra at present which shows a tremendous progress of industrial units. Though, the area does not come
in the chosen region of the study, it could be stated that the Khandesh region, which was acquired by British from Peshwa was the most rich and wealthy region of the state. This has been reflected in the industrial development of the region. [58]

**Conclusion:**

The phase of beginning and progress of modern industries from 1850s to 1914 covers more or less the period of the 19th century which was full with many socio-political and economic events that eventually led to industrial development. Hence, it would seem to be appropriate to present a summary chart showing various social, political and economic events that took place in the period, as is shown earlier for the periods of the 17th and the 18th century.

C] **Main Features of Industrial Development in India:**

As stated above, the steady growth in the industrial sector of the economy continued in the second phase of period of industrial development. Chapter V discusses in details the various factors influencing the industrial and entrepreneurial development in the country. Hence, here a brief discussion on the main features of industrial development in Western Maharashtra during British rule would seem to be appropriate.

I] **Dominance of Cotton Textile Industry**

It could be said without much exaggeration that the history of industrial development in Western Maharashtra is largely the history of its cotton textile industry which led a flagship of the process. The industry flourished in less time from 1850s to 1880s, in and around Bombay. Surprisingly, it was neither dispersed all over the country nor concentrated in cotton-growing areas of the country.
A] **Reasons for the Rise:** The reasons for the rise of cotton industry could be found in the peculiar situation existing in those times. Cotton being an agricultural commodity was liable to wide price fluctuations, hence, merchants and their capital were attracted from all over western India into cotton trading, even before actual textile manufacturing began in the region. The influx of investments led the profit to fall and investments in this sector eventually seemed unattractive. At the same time, in western India, opium exports gradually declined, as did the exports of cotton which were increasingly absorbed by home consumption.

B] **Decline in Shipbuilding Industry:** With the stagnation of trade, the demand for ships also fell off. Shipbuilding, which was virtually a Parsi monopoly in India in the 18th century, died a slow death. The size of sailing ships increased in the 18th and 19th century and the shallow port of Surat in Gujrat region on the west coast went out of use for shipbuilding. However, the Wadias, a Parsi business house of which reference would occur in Chapter V, the monopolists in the ship building, continued to build ships in Bombay. But, the British closed down the shipbuilding activities of Mazagaon dock of Bombay in 1885, just when the steamship revolution was beginning. Unfortunately, it was the tragic fate of the industry that Indian shipbuilding never recovered from this decline.

   India was bound to develop an industry with low capital intensity, being a capital scarce economy. Obviously, cotton textiles might have seemed the best among the options thought.

C] **Phases of Growth of the Cotton Textile Industry**- If studied carefully it shows that the cotton industry went through three broad phases –

1] Till early 19th century – It could be recognized as the history of the industry when India exported great deal of cotton goods to Europe and
imported little. This was a favourable trade position for the country with the traditional textile sector.

2] Till mid 19th century- In 1830-40s, the mechanized textile industry at Lancashire in Britain became powerful enough to compete successfully with the Indian hand-spinning and hand-weaving industry. In this phase there occurred a drastic fall of exports of Indian cotton goods and simultaneous sharp rise in the imports. This was the phase of the process of ‘de-industrialization’, which has been discussed earlier. Here, the spinning and weaving industry of India collapsed almost to zero.

3] After 1850s- The third phase started in the second half of the 19th century, wherein rise of mechanized textile industry did take place completely independent of foreign help.[ 59]

It seems paradoxical if one studies the career of the industry, which flourished in the country despite of being Britain’s most important, potent and aggressive industry. Obviously, this should have been the least likely industry for Indian entrepreneurs to enter and continue as it continued in almost entirely adverse situation with the imperial competition within and outside the country, having no protection until the inter war period, and dependence on imports of machinery, plant design, skilled labour and managerial talent at a high cost. In spite of all the hurdles, it showed a magical growth and achieved the commanding position to be labeled as ‘mature industry ‘of the country. Not only being able to meet India’s own large demand but since the II World War, it became a leading exporter hence, it could be duly recognized as a ‘mature industry of India.’ [60]

II] Reasons for the Significance of Bombay’s Role:

The lead role played by the city of Bombay in developing modern industries in the region and also in the country as a whole is another important issue worth mentioning here. There could be found certain
reasons for the significance of Bombay’s role in the process of industrial
development. These are discussed below.

A] Development of Trade and Market- In the early 19th century, the
island of Bombay was divided into a residential town area and a fort
where the British offices of administration and control were built. By late
19th century, Bombay had become India’s major port and a leading
commercial and financial center, and also the largest cotton market in
Asia, along with the position of the second important city of the Empire.
By 1860s, it had become next to New York and Liverpool - the cities of
the largest cotton market in the world. It developed a systematic modern
bullion market at Zaveri Bazar from where the entire banking business of
the city was run.

It was the opium and cotton trade at first to China, later to
Liverpool and west Europe and by the end of the century, to Japan which
provided the drive and dynamism behind city’s growth and prosperity.
The process of transformation of the city of being of traders to those of
industrialists began during the 1830s, in the period of agrarian depression
of 1830s which generated opportunities for merchants, creditors and
artisans.

B] The Migrant Traders- The class of the Gujaratis and Parsis –the
marginal mercantile communities migrated from Gujarat to Bombay
were the major risk-takers in the overseas trade. Their tight cast and
kinship connections might had provided them the advantage over the
other communities. The ‘disadvantage theory’ of entrepreneurship which
has been discussed in the next chapter could be referred in their case. [61]

C] Comparison With Calcutta- According to many historians, the two
cities of Calcutta and Bombay possessed similar opportunities for
industrial development. However, Bombay enjoyed more advantageous
position over Calcutta in pioneering industries. Unlike the east part of the
country where foreign trade was dominated by the Europeans, the west coast merchants had been active in the trade during the pre-British period and this enabled them to take advantage of the growing opportunities in Asia during mid 19th century. The native merchants entered in the field only after the lead of the western region.

Moreover, there was no dearth of cotton for the mills in Western Maharashtra, as the cotton producing regions were located nearby. The availability of plenty of labour and assurance of continuous and growing demand for the cloth in the region led no hesitation in the minds of investors and entrepreneurs before starting a new venture. Besides, the geographical location of Bombay played a major role in saving the cost of transportation to the west and gave considerable margin to the investors over any other location.

In conclusion, it could be said that Bombay definitely seemed to possess more advantageous position to initiate and develop its modern textile sector than that of Calcutta.

**D] Technological and Infrastructural Advantage**- The role of technological and infrastructural facilities that could be available to the traders and entrepreneurs of Bombay could not be neglected while explaining the leading role of Bombay in the industrial sector. The Bombay traders and merchants kept knowledge of modern banking, steam shipping and mechanical cotton ginning and hydraulic pressing technologies along with the wise practices of re-exporting of British production throughout Asia and distribution of these into western parts of the country. All this worked as a helping hand for cotton textile ventures in Bombay and western region to take a lead over other industries.

**E] Occupational Change** - Bombay was a proud leader in employing not only male workers but also women workers. Obviously, it could be recognized as a positive socio-economic change in the region and also in
the country. However, it was not free from the defects as it led to a growing unorganized labour sector of exploitative nature. The gender bias in the rate of wage and other policies was the main drawback of this occupational change. [62]

**F] Industrial Scenario in Bombay at the End of the 19th Century**
Following table shows the spread of modern industries of different types in and around Bombay.

Table 2.6

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Industry</th>
<th>1892</th>
<th>1896</th>
<th>1901</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Textile Mills</td>
<td>64</td>
<td>68</td>
<td>76</td>
</tr>
<tr>
<td>2</td>
<td>Silk Industry</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Woolen Industry</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Hosiery</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Pressing and Ginning</td>
<td>11</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>6</td>
<td>Colour Industries</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Flour Mills</td>
<td>3</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Oil Mills</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>Leather Industry</td>
<td>-</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Wood Industry</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>11</td>
<td>Foundry</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>12</td>
<td>Workshops</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>13</td>
<td>Printing Press</td>
<td>7</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>14</td>
<td>Dockyards</td>
<td>4</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>15</td>
<td>Canon Industry</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>16</td>
<td>Ammunition Factory</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>17</td>
<td>Mint</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>18</td>
<td>Others</td>
<td>2</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>19</td>
<td>Total</td>
<td>119</td>
<td>128</td>
<td>138</td>
</tr>
</tbody>
</table>

The table clearly shows the wide spread nature of various industries in Bombay, proving the impact of negative factors for industrial development discussed earlier as less influential. Obviously, the first place is achieved by the cotton textile mills along with its ancillary industries of pressing and ginning which shows clearly big number far above from its nearest competitors like foundry and printing press. This stresses on the lead role of Bombay in the process of industrial development.

G] Negative Factors: However, the role of Bombay as a leader in the industrial development of the country was not free from some drawbacks. The growth of its industries were mainly dependent on the imports of machinery and technicians and was carried with the inexperienced and untrained migrated labour from villages. Moreover, the hostile attitude of the government was a major obstacle in developing the industrial sector. All this surely would have led to the increase in the cost of production along with fear of low quality coupled with the burden of external and internal competition as well.

The mills in the up-country places such as Sholapur which had an advantageous position over Bombay in labour and equipment costs and rents, lacked the professional, managerial and technological talent that the mills in Bombay could get. Hence, one of the thoughts on economic history of Western India suggests to a separate approach for the analysis of Bombay and up-country cotton textile industry [63]
### 2. 13 The Summary Chart of Major Events in the 19th Century-

Table 2.7

**Summary Chart of Major Events in the 19th Century [Till 1914]**

<table>
<thead>
<tr>
<th>Nature of Events</th>
<th>Details of the Events</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political</strong></td>
<td>End of <em>Maratha</em> [<em>Peshwa</em>] rule [1818], Spread of British rule, Awareness against the foreign rule, Establishment of National Congress Party, Indifferent and short sighted policy of the government.</td>
</tr>
<tr>
<td><strong>Social</strong></td>
<td>Spread of modern education- emergence of new class, Influence of leaders and reformers – spread of modern values, Break up from traditional society towards new path of development.</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td>Breaking up of traditional occupational system based on ‘<em>varna</em>’ and <em>Balutedari</em>, Poverty, economic drain and frequent famines. Rise of Bombay and significant role played in industrial development, Rise of modern industries and indigenous entrepreneur class, Infrastructural development – railways, post and telegraph, roads and trams, banks etc. Some major economic events- American Civil War-[1861-63], Deccan riots[1875], Frequent economic fluctuations, Droughts.</td>
</tr>
</tbody>
</table>

### 2. 14 Economic History of the First Half of the 20th Century-[1900-1947]:

**Background-** Though, the study mainly focuses on economic history of Western Maharashtra during the 17th, 18th and the 19th century, a brief sketch of the industrial scene of the 20th century is expected to bring a
coherent and logical background for Chapter V which discusses the factors influencing industrial development in British rule. It should be made clear that the division of the period into different centuries is made flexibly and for the convenience of the study and is not rigid and arbitrary. Events like Swadeshi movement occurred during the early years of the 20th century, but is included in the earlier phase of industrial development as it covers the period from 1850 to 1914.

Some of the main events that led an impact on the industrial development in the first half of the 20th century which fit in the division of period into two phases of industrialization such as from 1914 to 1939 and from 1939 to 1945/47 are discussed below:

2.14.1 Third Phase of Industrial Development [1914-1939 -First World War and Inter War Period]

The period consists of the major political and economic events like the First World War and Great Depression that occurred during 1930s. Both the events influenced the process of industrialization within the region in their own way. Below is given an analysis of the nature and impact of these events on the region.

A] First World War The period of the war i.e. 1914-18, created a favourable effect on the industrial scene of India. As imports of machinery for industries became difficult due to the War, it was difficult to set up a new venture. However, the production of existing industries grew rapidly and this led to increased profits.

In the pre-War period, the mining industry of the country spread rapidly. The war between Russia and China led to a decline in the imports of Manganese from Russia. Hence, Indian mining was encouraged leading to a rise in the exports of manganese from India. It has been reported that the exports increased to such an extent that India became the biggest manganese supplier in the world.
With the major growth of cotton textiles industry in this period, there was experienced simultaneous growth in a few industries of seasonal nature. Sugar industry was one of them. However, sugar imports from Europe gradually increased, as European sugar made from beetroot was cheaper than the domestic sugar. This reduced the activity of sugar and jaggery industry of the country.

In nutshell, during the First World War, the industrial structure of India was featured with less mechanization, migrated, unorganized labour class, dominance of indigenous bankers due to low development of financial institutions, frequent strikes and labour unrest, insufficient labour welfare laws etc. [64]

B] Great Depression - It should be noted that the worldwide disaster of Great Depression that happened in the inter war period, precisely during 1929-33, turned out to be an opportunity for growth for Indian industries. The decade of late 1920s and early 30s made a severe damage in Europe and North America; however, it bypassed India to a great extent.

In the same period, non-cooperation movement by the nationalist leaders against British rule was gaining momentum. Simultaneously, the depressionery pressures led to a drastic contraction of export and import in Britain and entire European business sector. Obviously, there was a considerable repatriation of British capital from India. The ‘Far East’ policy to invest in Japan and other east Asian countries also resulted might have increased the rate of decline in foreign investments in India. Fortunately, the gap was duly filled in by the Indian industrialists, who entered in new fields of production, such as cement, sugar and paper industry. It was observed with pride that almost complete displacement of imports of cotton goods was successfully made during this period.
A] Reasons for Expansion in Trade and Industrial Sector-
1] All round Growth- Just after the First World War, i.e. 1919-22, cotton textile mills expanded in number and in production. It has been reported that there were 83 cotton textile mills in Bombay and six in Solapur in 1927. It was observed that Indian manufacturing sector never reached below the average level of 1925-30, in fact the general output level increased during mid 1930s. In 1938-39, it was 50% above its level of 1929-30.

Along with the growth in cotton textile sector, the production of sugar, cotton, paper, cement, iron and steel, matchboxes etc. strongly went up in early 1930s. The main reason for this rise in production could be found in the hike of tariff on imported goods, due to which local manufacturers of these commodities were encouraged to produce for import substitution.

Thus, when the west was facing an economic decline and severe economic crisis, India was enjoying industrial expansion in its true spirit.

2] Increase in Domestic Demand- During 1930s, agricultural prices fell down drastically which reduced the cost of living in cities and thus influence on the demand for consumption goods in an upward direction. With development of urban construction and utilities, the process of urbanization was spreading rapidly; hence new markets in urban areas were spreading fast. With the emergence of professional employees and increase in the middle class people, overall demand for branded and packed goods, such as cigarettes, cosmetics, toiletries, electric batteries, processed food items etc. was created. In the process of urbanization, construction boom was taking roots resulting in the rise in cement, paints and asbestos production. With increasing industrialization, there was an increase in the demand for heavy chemicals, industrial gasses, rubber
production and small spare parts steel such as screws etc. which encouraged local entrepreneurship.

3] Decline in Indigenous Banking- Another factor responsible for the rising trend in industrial sector during 1930s, was decline in the indigenous money lending business due to which savings of common people came out which otherwise would have gone to the money lenders.

Moreover, during the same period, bullion prices went up which made Indian investors to put out the reserves of gold for sale and also investments in gold became unaffordable. Lastly, the easy availability of second hand, cheap foreign machines by the depressed industrialists of Europe and America encouraging domestic entrepreneurs to start their ventures. Thus, the overall effect of Great Depression on the Indian industrial sector was a positive one. [65]

B] Problems During 1930s. - Though, the overall effect of the Great Depression on industrial sector in India, was a positive one, some problems also occurred in the industry during the period. As mentioned earlier, the liquidation of rural banking, released savings on a large scale, which went mainly to sugar and cement industries. Due to this, these industries were flooded with over investments and excess capacity was created. There was heavy concentration in consumer goods industries, which engaged nearly 4/5 of total industrial labour of the country. During the next decade, i.e. 40s, multinational companies like Brooke Bond entered in India. The initial picture of homogeneous group of entrepreneurs from a few selected communities was rapidly changing and there emerged a diffused group of entrepreneurs. The group of Parsis, Marwaris, Gujratis though dominated the entrepreneurial scene, there emerged a small but noticeable group of Maharashtrian Brahmins in the industrial sector of western Maharashtra.
With rising entrepreneurship of domestic and foreign ownership, business behaviour in the country changed drastically. There was increased risk and uncertainty in the business field and imperfect knowledge worsened the smooth functioning of the sector. The modern form of cartel, informal agreements began to develop, making the industrial scene more complex. Moreover, political influence on Indian industries continued till 1947. [66]

Thus, it seems that the pre-Second World War period [1914-39] experienced quite a favourable situation for the industrial development in Western Maharashtra, though, there occurred some problems during 1930s due to the worldwide depression. It could be said that on the eve of the Second World War and at the close of British rule India and especially, Western Maharashtra had gained sufficient base for the development of modern industries.


On the eve of the War, three major groups dominated the business scene. 1] The Native Houses, which came after the ‘First World War, dominated the consumer goods industry for domestic market, such as cotton, sugar, cement etc. These houses were mainly family ownership units such as Walchand Hirachand, Birlas etc. Chapter IV discusses the process of rise and growth of some of these industrial houses in western Maharashtra, 2] British Nationals who were engaged in export industries such as jute, coal and tea. And 3] Multinational Firms which focused on new industries such as chemicals, engineering and stores for the defense department. Of course, the three groups of businessmen in India were linked with one another in various ways. Among all, the Tatas occupied a
commanding position throughout the period of the Second World War. [67]

The Second World War during the years 1939-45, changed the attitude of the government drastically. Instead of treating Indian business in a step-motherly fashion as before, the government was now keen to placate it. As suppliers of stores, the native industrialists and traders had provided critical support to the government in the pursuit of the war. This led to realize by the government that propping up the native industry was in the long-run interest of the Empire.

Another factor which influenced the attitude of the government was the growing threat of Japanese intrusion in the Indian markets. British were afraid that Japan might capture the place vacated by Germany in the Indian markets. Hence, to support industrial development the appointment of the Indian Industrial commission, to examine what the government could do to provide an impetus to industrial India was made. The laissez faire policy maintained hitherto had lost its luster during the war period. Further, on the recommendation of the Industrial Commission, Fiscal Commission was appointed to see the feasibility of tariff protection to Indian industries.

Accordingly, Indian Tariff Board was set up which established the policy of discriminating protection. The tariff policy levied a duty on imports as a revenue measure during the War period. The new tariff policy could be labeled as a better policy but not the best, according to the critics of the government. After the War, the policy of protection however, changed and thus hurt the sentiments of the Indian producers who relied with trust on the supportive attitude of the government. Though, the government started taking representatives from industrialist’s class during the 40s, the representatives were mainly European.
businessmen and very few Indian businessmen were given an opportunity to represent in the Legislative Assembly.

The period of the Second World War, especially the first phase of the war was dominated by Gandhian political movement. The movement not only spread like a fire among the common masses of the country, but also led a deep impression on Indian business interests. Gandhiji, a philosophic political leader of India had many principles to offer for the business activity. Especially, his doctrine of trusteeship was particularly appealing to the business classes. The two extremes, the businessmen and the Indian National Congress led by Gandhiji, were tied in an intimate personal relation with each other since late 1930s.

However, it was observed that Indian industrialists supported the war efforts of the government because their interest as they believed lied in peace, harmony, goodwill and order throughout the country. It has been pointed out that there is no evidence found of any material support from industrialists to the nationalist agitators against British rule.

In short, it could be no exaggeration to say that the Second World War came like a God-send phenomenon for Indian industries. [68]
2.15 Summary Chart of the Major Events in the First Half of the 20th Century-

Table 2.8

Summary Chart of Major Events in the First Half of the 20th Century

<table>
<thead>
<tr>
<th>Nature of Events</th>
<th>Details of the Events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social</td>
<td>Spread of education, Awakening against ‘raj’- various agitations and movements, rise of new class of entrepreneurs.</td>
</tr>
<tr>
<td>Economic</td>
<td>1905 onwards- rise of domestic industries, 1900-10- growth of textile industries, 1909- rise of small scale industries and cooperative banks, post I War- strikes and labour unrest, 1920 onwards- leather industry, 1922-23- peak of textile industries, 1925-severe competition , metal industry, 1927- Change in import duty policy</td>
</tr>
</tbody>
</table>

2.16 Comments On The Industrial Scene At The Time of Independence:

A transformation of an economy from a ‘peddler’s state’ to an industrialist one took place with many ups and downs during the entire colonial era. Though, it was observed that at the time of Independence, India was still largely non-industrial and one of the world’s poorest areas. Moreover, in no decade between 1872 and 1947 did the state’s annual share of GNP average more than 10%. This clearly shows that – Indian
economy in the 19th and 20th centuries was a private–enterprise economy and the vast bulk of decisions about the allocation of resources were made by private businessmen.

It is however criticized by some historians that despite a substantial industrial growth, India never been through a period of ‘competitive capitalism in the pre-Independence era. Foreign domination, feudal relations in agriculture, lack of incentives for domestic industries and colonial power, encouragement for monopolies in trade and finance all constituted the effective barriers to the emergence of capitalism.[69]

2.16.1 Justification for Low Industrial Performance;

A] Demand Pattern- In spite of large population growth during the first half of the 20th century, [from 200 million to 417 million in 1947] demand did not encourage machine production. Demand from the traditionally well off tended to be for specialty items which could not be mass-produced but required skilled craft techniques. The large towns and cities like Bombay and Karachi and some up-country market towns at important railway junctions could offer the greatest incentives to local entrepreneurs, but were also most exposed to foreign competition. Moreover, domestic demand was heavily dependent on agricultural performance, which was unstable during the period. The unsatisfactory growth of Indian industries observed at the time of Independence, was also due to serious inhibitions on the supply side.

B] Imported and Scarce Factors of Production- All machinery for production had to be imported. Skilled labour and technology was scarce and expensive. Fuel was costly and so was domestic transport. The only advantage that Indian industrial sector possessed on a large scale was the availability of cheap labour. However, this advantage worked against mechanization of industries. All these factors created less incentive for
innovation and mechanization. Wherever the growth in Indian industries took place, it was business expansion of organization rather than shift to techniques.

C] Absence of Protection- Some of the justifications for the low growth of Indian industries are given on the basis of absence of protective tariff system. Though, the argument looks correct, it should be well noted the fact that the two most successful industries in pre-1914 India, the jute and cotton textile industries not only grew swiftly without tariff protection, but many of their most important markets were overseas where tariffs could not have helped.

Lack of Infrastructural facilities- Moreover, it is argued that the low growth of Indian industries could be due to the lack of formal structure of public and private facilities that minimizes uncertainty in the business. Insurance, control on price fluctuations, spread of information etc jobs are a necessary part of industrial development. However, India was not fortunate enough to possess all of these facilities for its industrial sector. The entrepreneurs in India had to accept not merely a higher level of risk, but also a much greater range of uncertainty in his business behaviour. Another difficulty which Indian businessmen had to suffer from was that they had to provide their own repair shops and power sources. Also, he had to maintain larger inventories of materials and replacement parts. This of course, would have led to increase in the reserves of both fixed and working capital. The quality of labour that worked in Indian industries was another obstacle in achieving success on a larger scale. High cost of training and high labour turnover made the condition of the businessmen worse. All the obstacles in the path of rapid industrialization led to a very high expectations of returns from investment in new industry. Automatically, the higher the rate of return required to offset the
general uncertainties of novel venture, the fewer were the opportunities 
that entrepreneurs found promising and worth taking for. Lack of 
sufficient domestic demand for the machine goods produced in the 
country was further accompanied by lack of elaborate international 
network through which a continuous flow of information and skill of 
trade could be achieved. A native entrepreneur without the proper 
international link was at a serious disadvantage in the foreign trade. [70]

**Conclusion:**

In nutshell, it could be concluded that the expected rapid and 
sustained industrial expansion on a broad front could not come into 
reality in India during the period of British rule as it required not only an 
extensive array of basic social, political and economic preconditions but 
also the development of an institutionalized capacity to solve new 
problems that continually emerged in the process of industrial change. 
India lacked all these features not only in the beginning of the 19th 
century, but even after 150 years. Lastly, it should be noted that the 
economic changes were not only limited in scale and scope but they also 
inevitably generated contradictory features. [71]

Hence, it is difficult to give any firm conclusion about industrial 
scene of India at the time of Independence. The industrial scene was 
heterogeneous and less precise.

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